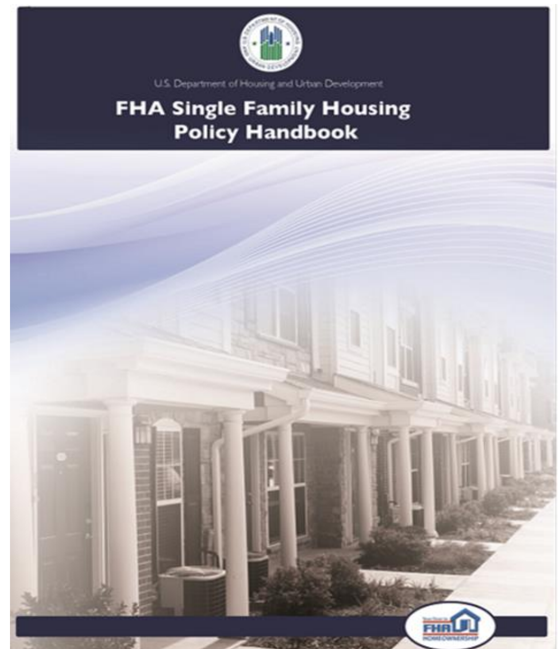
Training: Origination Through Post-Closing/ Endorsement



Disclaimer regarding the Effective date of Handbook 4000.1

- On April 30, 2015, FHA announced that it extended the effective date for the policies contained in the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) from June 15, 2015 to September 14, 2015.
- This training session was recorded prior to April 30, 2015. Please note the change of the effective date of SF Handbook during the presentation.

Module 8A
Programs and Products: Refinance

Single Family Housing Policy Handbook 4000.1
Title II Insured Housing Program Forward Mortgages
Origination through Post-Closing/Endorsement

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FHA Single Family Housing Policy Handbook

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Refinance: Definition

- A Refinance Transaction is used to pay off the existing debt or to withdraw equity from the property with the proceeds of a new mortgage for a Borrower with legal title to the subject property.

Types of Refinances

- Cash-Out Refinance:
  - A Cash-Out Refinance is a refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes.
- No Cash-Out Refinance:
  - A No Cash-Out Refinance is a refinance of any mortgage in which the mortgage proceeds are limited to the purpose of extinguishing the existing debt and costs associated with the transaction.

Types of No Cash-Out Refinance Options

Rate and Term	Simple Refinance	Streamline Refinance
All proceeds are used to pay existing mortgage liens on the subject property and costs associated with the transaction.	FHA-insured mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject property and costs associated with the transaction.	Refinance of an existing FHA-insured mortgage requiring limited Borrower credit documentation and underwriting. There are two different streamline options available.
Appraisal Required	Appraisal Required	No Appraisal Required
Any lien applicable	Current FHA Mortgage Lien	Current FHA Mortgage Lien
The Mortgagee must obtain a Refinance Authorization Number from FHA Connection (FHAC) for all FHA-to-FHA refinances.		

Streamline Refinance Options

Streamline Refinance	
Credit Qualifying	**Non-Credit Qualifying**
A Manual Underwriting credit and capacity analysis of the Borrower is required.	A Manual Underwriting credit and capacity analysis of the Borrower is not required.

Additional No-Cash Out Refinance Options

- **Refinances for the Purpose of Rehabilitation or Repair:**
  - A Borrower may refinance existing debts and obtain additional financing for purposes of rehabilitation and repair under the 203(k) Rehabilitation Mortgage Insurance Program.

Additional No-Cash Out Refinance Options (cont.)

- **Refinance of Borrowers in Negative Equity Positions (also known as Short Refinance):**
  - A Borrower who is current on their non FHA-insured mortgage may qualify for an FHA-insured refinance mortgage provided that the Mortgagee or Investor writes off at least 10 percent of the unpaid principal balance of the existing first lien mortgage.

Additional No-Cash Out Refinance Options (cont.)

- **Refinancing of an Existing Section 235 Mortgage:**
  - An existing Section 235 mortgage may be refinanced as any no cash-out refinance.
  - In refinancing a Section 235 mortgage, the Mortgagee is required to repay to FHA any amount of excess subsidy. The outstanding principal balance on a Section 235 is calculated by adding back to the balance any amount of the excess subsidy paid to FHA.
  - If FHA has a junior lien that was part of the original Section 235 financing, FHA will subordinate the junior lien to the Section 203(b) mortgage that refinances the Section 235 mortgage.

Borrower Eligibility

- At least one Borrower on the refinancing mortgage must hold title to the property being refinanced prior to case number assignment.

Property Eligibility : Manufactured Housing

- For a transaction involving a Manufactured House to be considered a refinance, the Manufactured House must have been permanently erected on a site for more than twelve months prior to case number assignment.

Mortgage Eligibility : Eminent Domain, Condemnation, or Seizure

- For cases endorsed on or before September 30, 2015, the Mortgagee must not approve any Mortgage that refinances or otherwise replaces a Mortgage that has been subject to eminent domain, condemnation, or seizure, by a state, municipality, or any other political subdivision of a state.

Mortgage Eligibility : Eminent Domain, Condemnation, or Seizure (cont.)

- If the Mortgage to be insured is located in an area where a state, municipality, or other political subdivision has exercised eminent domain, condemnation, or seizure of a Mortgage, the Mortgagee must obtain a certification from the Borrower stating the Mortgage being refinanced was not subject to eminent domain, condemnation, or seizure.

Product Eligibility: Temporary Interest Rate Buydowns

- Temporary interest rate buydowns are not permitted with refinance transactions.

Upfront Mortgage Insurance Premium Refunds

- If the Borrower is refinancing their current FHA-insured mortgage to another FHA-insured mortgage within 3 years, a refund credit is applied to reduce the amount of the Upfront Mortgage Insurance Premium (UFMIP) paid on the refinanced mortgage, according to the refund schedule shown in the table below:

Upfront Mortgage Insurance Premium Refund Percentages												
Year	Month of Year											
	1	2	3	4	5	6	7	8	9	10	11	12
1	80	78	76	74	72	70	68	66	64	62	60	58
2	56	54	52	50	48	46	44	42	40	38	36	34
3	32	30	28	26	24	22	20	18	16	14	12	10

Payoff Statement Requirements for Mortgages

- The Mortgagee must obtain the payoff statement for all existing mortgages.

Cash-Out Refinances

Borrower Eligibility

- The following are not eligible for cash-out refinances:
  - Nonprofit agencies;
  - State and local government agencies; and
  - Instrumentalities of government.

Borrower Eligibility: Non-Occupant Co-Borrower

- Income from a non-occupant, co-Borrower may not be used to qualify for a cash-out refinance.

Occupancy Requirements

- Cash-out refinance transactions are only permitted on owner-occupied Principal Residences.
- The property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment.

Occupancy Requirements—Exception

- **Inheritance**, a Borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an Investment Property **at any point since inheritance** of the property.

- If the Borrower rents the property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the property as a Principal Residence for at least 12 months.

Occupancy Requirements-Documentation

- The Mortgagee must review the Borrower’s employment documentation or obtain utility bills to evidence the Borrower has occupied the subject property as their Principal Residence for the 12 months prior to case number assignment.

Payment History Requirements

- The Mortgagee must document that the Borrower:
  - Has made all payments for all their mortgages within the month due for the previous 12 months or since the Borrower obtained the mortgages, whichever is less.
  - The payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to mortgage Disbursement.

Payment History Requirements (cont.)

- Properties with mortgages must have a minimum of six months of Mortgage Payments.

- Properties owned free and clear may be refinanced as cash-out transactions.

Maximum Mortgage Amounts

- Maximum Loan-to-Value:
  - 85 percent of the Adjusted Value.
- Maximum Combined Loan-to-Value:
  - 85 percent of the Adjusted Value.
- Nationwide Mortgage Limit:
  - The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the Nationwide Mortgage Limit described in National Housing Act's Statutory Limits.

Adjusted Value

- The Adjusted Value is the determined value of the property used for making an FHA-insured Mortgage Loan.

Adjusted Value: Refinance

- For properties acquired by the Borrower within 12 months of the case number assignment date the Adjusted Value is the lesser of:
  - The Borrower's purchase price, plus any documented improvements made after the purchase; or
  - The Property Value.
- This policy applies to all FHA refinance transactions that require appraisals including, FHA-to-FHA refinance transactions.

Adjusted Value: Refinance (cont.)

- Properties acquired by the Borrower within 12 months of application by inheritance or through a gift from a family member may:
  - Utilize the calculation of Adjusted Value for properties purchased 12 months or greater.

Adjusted Value: Refinance (cont.)

- For properties acquired by the Borrower greater than or equal to 12 months prior the case assignment date, the Adjusted Value is the Property Value.

Rate and Term Refinances

Occupancy Requirements

- Rate and Term refinance transactions are only permitted on owner-occupied Principal Residences and HUD-approved Secondary Residences.

Occupancy Requirements: Documentation

- The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower currently occupies the property and determine the length of time the Borrower has occupied the subject property as their Principal Residence.

Payment History Requirements - Manually Underwritten

≥ 6 Months of Months of Mortgage Payment History	< 6 Months of Mortgage Payment History
0 x 30 for all mortgages for the 6 months prior to case number assignment, and no more than	0 x 30
1 x 30 for the 6 months previous for all mortgages.	----

- The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage Disbursement.

Maximum Loan-to-Value Ratio

Maximum LTV	Maximum CLTV	Principal/Secondary Residence	Occupancy
97.75%	97.75%	Principal	Occupied as principal residence for 12 months or occupied since acquisition if acquired within 12 months.
85%	97.75%	Principal	Occupied as Principal Residence fewer than 12 months or if owned less than 12 months, has not occupied the property for that entire period of ownership
85%	97.75%	For all HUD-approved Secondary Residences	

Calculating Maximum Mortgage Amount: Debts

- The existing debt that can be included in a Rate and Term Refinance:
  - The unpaid principal balance of the first mortgage as of the month prior to mortgage Disbursement;
  - The unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage Disbursement;
  - The unpaid principal balance of any junior liens over 12 months old as of the date of mortgage Disbursement. If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new mortgage;

Calculating Maximum Mortgage Amount: Debts (cont.)

- The existing debt that can be included in a Rate and Term Refinance:
  - Ex-spouse or co-Borrower equity, as described in “Refinancing to Buy out Title Holder Equity” below;
  - Interest due on the existing mortgage(s);
  - Mortgage Insurance Premium (MIP) due on existing mortgage;
  - Any prepayment penalties assessed;
  - Late charges; and
  - Escrow shortages.

Calculating Maximum Mortgage Amount: Additional Costs

- Additional costs associated with the transaction may be able to be financed in to the Rate – Term transaction, including :
  - Allowed costs include all Borrower-paid costs associated with the new mortgage; and
  - Any Borrower-paid repairs required by the appraisal.

Process: Calculating Maximum Mortgage Amount for Rate-Term Refinance Transactions

Step One: National Mortgage Limit

_________________ Nationwide Mortgage Limit

Process: Calculating Maximum Mortgage Amount for Rate-Term Refinance Transactions (cont.)

Step Two: Sum of Existing Debt and Costs Associated with Transaction	
Unpaid Principal Balance of the First Mortgage as of the month prior to mortgage disbursement	$
Unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement	
Junior liens over 12 months old as of date of mortgage disbursement. If HELOC and excess over $1000 w/in last 12 months for purposes other than repairs-Not eligible.	
Ex-Spouse or co-borrower Equity acceptable to FHA guidelines	
Interest due on existing mortgages	
Mortgage Insurance Premium due on existing mortgage	
Prepayment penalties	
Late charges	
Escrow Shortages	
Borrower paid costs associated with new mortgage	
Borrower paid repairs required by appraisal	
If paying off a FHA Mortgage	
Upfront Mortgage Insurance Refund	(-)
TOTAL	$

Process: Calculating Maximum Mortgage Amount for Rate-Term Refinance Transactions (cont.)

Step Three: Loan to Value

Adjusted Value $ ______________________________

X ____________________LTV factor

$ ________________________________

Process: Calculating Maximum Mortgage Amount for Rate-Term Refinance Transactions (cont.)

Step Four: Maximum Loan Amount

The maximum mortgage amount is the lesser of:

Step 1, Step 2, or Step 3.

$ ________________________________

Short Payoffs

- The Mortgagee may approve a Rate and Term refinance where the maximum mortgage amount is insufficient to extinguish the existing mortgage debt, provided the existing Note holder writes off the amount of the indebtedness that cannot be refinanced into the new FHA-insured mortgage.

Refinancing to Buy Out Title-Holder Equity

- When the purpose of the new mortgage is to refinance an existing mortgage to buy out an existing title-holder's equity, the specified equity to be paid is considered property-related indebtedness and eligible to be included in the new mortgage calculation.

- The Mortgagee must obtain the divorce decree, settlement agreement, or other legally enforceable equity agreement to document the equity awarded to the title-holder.

Refinancing to Pay Off Recorded Land Contracts

- When the purpose of the new mortgage is to pay off an outstanding recorded land contract, the unpaid principal balance shall be deemed to be the outstanding balance on the recorded land contract.

Cash Back to the Borrower: $500 Limitation

- The Mortgagee may utilize estimates of existing debts and costs in calculating the maximum mortgage amount to the extent that the actual debts and costs do not result in the Borrower receiving greater than $500 cash back at mortgage Disbursement.

Cash Back to the Borrower: Unused Escrow Balance

- Cash to the Borrower resulting from the refund of Borrowers unused escrow balance from the previous mortgage must not be considered in the $500 cash back limit whether received at or subsequent to mortgage Disbursement.

Cash Back to the Borrower: Excess Cash Back

- When costs utilized in calculating the maximum mortgage amount result in greater than $500 cash back to the Borrower at mortgage Disbursement, mortgagees may reduce the Borrower's outstanding principal balance to satisfy the $500 cash back requirement.

- The Mortgagee must submit the mortgage for endorsement at the reduced principle amount.

Simple Refinance

Simple Refinance

- Simple Refinance refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay the existing FHA-insured mortgage liens on the subject property and costs associated with the transaction.

Occupancy Requirements

- Simple refinance is only permitted on owner-occupied Principal Residences and HUD-approved Secondary Residences.

Occupancy Requirements: Documentation

- The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower currently occupies the property.

- The Mortgagee must obtain evidence that the Secondary Residence has been approved by the Jurisdictional HOC.

Payment History Requirements: Manually Underwritten

≥ 6 Months of Months of Mortgage Payment History	< 6 Months of Mortgage Payment History
0 x 30 for all mortgages for the 6 months prior to case number assignment, and no more than	0 x 30
1 x 30 for the 6 months previous for all mortgages.	----

- The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage Disbursement.

Simple Refinance vs. Rate-Term Calculations

- The following items are not permissible to be included in a Simple Refinance transaction:
  - The unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage Disbursement;
  - The unpaid principal balance of any junior liens;
  - Ex-spouse or co-Borrower equity; and
  - Any prepayment penalties assessed.

Process: Calculating Maximum Mortgage Amount for Simple Refinance Transactions

Step One: National Mortgage Limit

________________ Nationwide Mortgage Limit

Process: Calculating Maximum Mortgage Amount for Simple Refinance Transactions (cont.)

Step Two: Sum of Existing Debt and Costs Associated with Transaction

Unpaid Principal Balance of the First Mortgage as of the month prior to mortgage disbursement	$
Interest due on existing mortgages	
Mortgage Insurance Premium due on existing mortgage	
Late charges	
Escrow Shortages	
Borrower paid costs associated with new mortgage	
Borrower paid repairs required by appraisal	
	$
Must be Paying off a FHA Mortgage under the Simple Refinance Program:	
Upfront Mortgage Insurance Refund	(-)

TOTAL	$

Process: Calculating Maximum Mortgage Amount for Simple Refinance Transactions (cont.)

Step Three: Loan to Value

Adjusted Value $ ____________________________

X ___________________LTV factor

$ _____________________________

Process: Calculating Maximum Mortgage Amount for Simple Refinance Transactions (cont.)

Step Four: Maximum Loan Amount

The maximum mortgage amount is the lesser of:

Step 1, Step 2, or Step 3.

$ ______________________________

Cash Back to the Borrower: $500 Limitation

- The Mortgagee may utilize estimates of existing debts and costs in calculating the maximum mortgage amount to the extent that the actual debts and costs do not result in the Borrower receiving greater than $500 cash back at mortgage Disbursement.

Cash Back to the Borrower: Unused Escrow Balance

- Cash to the Borrower resulting from the refund of Borrowers unused escrow balance from the previous mortgage must not be considered in the $500 cash back limit whether received at or subsequent to mortgage Disbursement.

Cash Back to the Borrower: Excess Cash Back

- When costs utilized in calculating the maximum mortgage amount result in greater than $500 cash back to the Borrower at mortgage Disbursement, mortgagees may reduce the Borrower's outstanding principal balance to satisfy the $500 cash back requirement.

- The Mortgagee must submit the mortgage for endorsement at the reduced principle amount.

Streamline Refinances

Streamline Refinances

- Streamline Refinance may be used when the proceeds of the mortgage are used to extinguish an existing FHA-insured first mortgage lien.

- Mortgagees must manually underwrite all Streamline Refinances in accordance with the guidance provided in this section.

Streamline Refinances Exemptions

- Contained with the Streamlined Refinance Product Sheet provides the SF Handbook sections that are not applicable for both the Non-Credit Qualifying Streamline Refinance program and the Credit Qualifying Streamline Refinance program.

Example:	Ordering Appraisal
	Property Eligibility and Acceptability Criteria

Borrower Eligibility

- Streamline Refinances may be used for Principal Residences, HUD-approved Secondary Residences, or non-owner occupied properties.

Occupancy Requirements: Documentation

- The Mortgagee must review the Borrower’s employment documentation or obtain utility bills to evidence the Borrower currently occupies the property.

- The Mortgagee must obtain evidence that the Secondary Residence has been approved by the Jurisdictional HOC.

Occupancy Requirements: Documentation (cont.)

- The Mortgagee must process the Streamline Refinance as a non-owner occupied property if the Mortgagee cannot obtain evidence that the Borrower occupies the property either as a Principal or a HUD-Approved Secondary Residence.

Payment History Requirements: Streamline

Mortgage Payment History Streamline Refinance
0 x 30 for all mortgages for the 6 months prior to case number assignment, and no more than-
1 x 30 for the 6 months previous for all mortgages.
Note: Borrower must have made at least 6 payments on or before Case Number Assignment date.

- The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage Disbursement.

Non-owner Occupied Properties and HUD-Approved Secondary Residences

- Non-owner occupied properties and HUD-approved Secondary Residences are only eligible for streamline refinancing into a fixed rate mortgage.

Existing 203(k) Mortgages

- FHA will not issue a case number for a Streamline Refinance where the existing mortgage to be paid is a 203(k) mortgage and the rehabilitation escrow closeout has not been completed.

Mortgage Seasoning Requirements

- On the date of the FHA case number assignment:
  - The Borrower must have made at least six payments on the FHA-insured mortgage that is being refinanced;
  - At least six full months must have passed since the first payment due date of the mortgage that is being refinanced;
  - At least 210 Days must have passed from the Disbursement Date of the mortgage that is being refinanced; and
  - If the Borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption.

Use of TOTAL and Streamline Refinances

- The Mortgagee must manually underwrite all Streamline Refinances.

- The Mortgagee may score the mortgage through TOTAL Mortgage Scorecard but the findings are invalid.

Net Tangible Benefit: Streamline Refinances

- A Net Tangible Benefit is a reduced Combined Rate, a reduced term, and/or a change from an ARM to a fixed rate mortgage that results in a financial benefit to the Borrower.

- Combined Rate refers to the interest rate on the mortgage plus the Mortgage Insurance Premium (MIP) rate.

Net Tangible Benefit: Streamline Refinances (cont.)

From \ To	Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate
Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.
Any ARM With Less Than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
Any ARM With Greater Than or Equal to 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.

- **If the mortgage term is reduced the net tangible benefit test is met if**: the new interest rate does not exceed the current interest, and the combined principal, interest, and MIP payment does not increase by more than $50.

HUD Employee Mortgagee

- For non-credit qualifying Streamline Refinances only, any HUD employee may have their mortgage underwritten and approved/denied by the Mortgagee.

Reviewing Limited Denial Participation (LDP) and System for Award Management (SAM) Exclusion Lists

- The Mortgagee must check the HUD Limited Denial of Participation (LDP) list to confirm the Borrower's eligibility to participate in an FHA-insured mortgage transaction.

- The Mortgagee must check the System for Award Management (SAM) and must follow appropriate procedures defined by that system to confirm eligibility for participation.

Borrower Additions to Title

- Individuals may be added to the title and mortgage on a non-credit qualifying Streamline Refinance without a creditworthiness review.

Credit Reports

- FHA does not require a credit report on the non-credit qualifying Streamline Refinance.
- The Mortgagee must obtain a credit report for the credit qualifying Streamline Refinance.
- If the Mortgagee obtains a credit score, the Mortgagee must enter it into FHAC. If more than one credit score is obtained, the Mortgagee must enter all available credit scores into FHAC.

Funds to Close

- The Mortgagee must verify Borrower's funds to close, in excess of the total Mortgage Payment of the new mortgage, in accordance with Sources of Funds.

- Additionally, the Mortgagee only on Streamline refinances may provide an unsecured interest-free mortgage to establish a new escrow account in an amount not to exceed the present escrow balance on the existing mortgage.

Maximum Mortgage Amortization Period

- The maximum amortization period of a Streamline Refinance is limited to the lesser of:
  - The remaining amortization period of the existing mortgage plus 12 years; or
  - 30 years.

Maximum Mortgage Calculation for Streamline Refinances

Step One: Outstanding Current Principal Balance

Unpaid Principal Balance of the First Mortgage as of the month prior to mortgage disbursement	$
Interest due on existing mortgage for non-investment properties	
Mortgage Insurance Premium due on existing mortgage	

TOTAL	**$**

Process: Calculating Maximum Mortgage Amount for Streamline Refinance Transactions

Step Two: Original Principal Balance

Original Principal Balance of the First Mortgage Including UFMIP	$

Process: Calculating Maximum Mortgage Amount for Streamline Refinance Transactions (cont.)

Step Three: Maximum Loan Amount		
The lesser of Step One or Step two		$ ____________________
Subtract Upfront Mortgage Insurance Refund	(-)	$ ____________________
Maximum Base Loan Amount Streamline		**$** ____________________

Case Study: Streamline Refinance

- Determine the Maximum Loan Amount for a Streamline Refinance.

- Tentative closing for the end of July, 2014

Case Study: Streamline Refinance – Payoff

Statement Date:	06/26/2014
Payment Due Date:	07/01/2014

QUOTE CALCULATION DETAIL	
Current Unpaid Principal Balance: (at annual interest rate of 6.000%)	$349,944.83
Interest calculated from **06/01/2014 to 07/31/2014**	$3,499.46

TOTAL AMOUNT TO PAY LOAN IN FULL THROUGH 07/31/2014 $353,444.29

SUM AS OF QUOTE DATE	
Principal and Interest	$2,323.94
Escrow Payment	$1,303.50
Monthly Mortgage Payment	**$3,627.44**
Escrow Balance*	$3,437.08
Suspense Balance**	
Monthly Interest	$1,749.72

*Escrow balance cannot be used as credit toward payoff. Escrow Balance is subject to change and may not be used towards the payoff of the loan unless written authorization from mortgagor(s) is received.

**Suspense balance is subject to change.

PROJECTED ESTIMATED DISBURSEMENTS		
Estimated Disbursements	**Due Date**	**Amount**
HAZARD SFR 100	05/05/2014	$3,078.00
CITY TAX 100	05/10/2014	$3,247.51

Case Study: Streamline Refinance

Refinance Authorization Results

Computed Premium:	$5,728.29	Original Property Value:	$500,000
Original Mortgage Amt:	$387,614	Original Closing Date:	11/27/07
Old Term (in months):	360	Original Endorsement Date:	03/15/08

New Closing Month:	05/14	06/14
Period of Insurance:	78	79
Refund UFMIP Factor (%):	.00000	.00000
UFMIP Earned by HUD:	$5,728.29	$5,728.29
Unearned UFMIP:	$0.00	$0.00
Unpaid Balance:	$350,914	$350,344
Authorization No.	[redacted]	
Expiration Date	09/30/14	

Case Study: Streamline Refinance – Result

Step One: Outstanding Current Principal Balance	
Unpaid Principal Balance of the First Mortgage as of the month prior to mortgage disbursement	$ 349, 944.83
Interest due on existing mortgage for non-investment properties	$ 3, 499.46
Mortgage Insurance Premium due on existing mortgage	0
TOTAL	$ 353, 444.29

Step Two: Original Principal Balance	
Original Principal Balance of the First Mortgage Including UFMIP	$ 387, 614.00

Step Three: Maximum Loan Amount		
The lesser of Step One or Step two		$ 353, 444.29
Subtract Upfront Mortgage Insurance Refund	(-)	$ 0
Maximum Base Loan Amount Streamline		$ 353, 444. 29

Cash Back to the Borrower: Excess Cash Back

- When costs utilized in calculating the maximum mortgage amount result in greater than $500 cash back to the Borrower at mortgage Disbursement, Mortgagees may reduce the Borrower’s outstanding principal balance to satisfy the $500 cash back requirement.

Cash Back to the Borrower: Unused Escrow Balance

- Cash to the Borrower resulting from the refund of Borrowers unused escrow balance from the previous mortgage must not be considered in the $500 cash back limit whether received at or subsequent to mortgage Disbursement.

Cash Back to the Borrower: $500 Limitation

- The Mortgagee may utilize estimates of existing debts and costs in calculating the maximum mortgage amount to the extent that the actual debts and costs do not result in the Borrower receiving greater than $500 cash back at mortgage Disbursement.

Existing Subordinate Financing

- Existing Subordinate financing, in place at the time of case number assignment, must be resubordinated to the Streamline Refinance.

- There is no maximum CLTV.

New Subordinate Financing

- New Subordinate financing is permitted only where the proceeds of the subordinate financing are used to:
  - Reduce the principal amount of the existing FHA-insured mortgage; or
  - Finance the origination fees, other closing costs, or discount points associated with the refinance.

Calculating the Mortgage Insurance Premium (MIP)

- For the purpose of calculating the MIP, FHA uses the original value of the property to calculate the LTV.

Streamline Refinance: Non-Credit Qualifying

- Borrower Eligibility:
  - A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage.
  - Mortgages that have been assumed are eligible provided the previous borrower was released from liability.

Streamline Refinance: Non-Credit Qualifying

- Borrower Eligibility: Exception
  - A Borrower on the mortgage to be paid may be removed from title and mortgage on a new loan in cases of divorce, legal separation, or death when:
    - The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining Borrower, if applicable; **and**
    - The remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.

Non-Credit Qualifying: Completing 1003

- Mortgagees may use an abbreviated Uniform Residential Loan Application (URLA, Fannie Mae Form 1003/Freddie Mac Form 65) on non-credit qualifying Streamline Refinances only.

- Mortgagees are not required to complete sections IV, V, VI, and VIII (a-k) on an abbreviated URLA, provided all other required information is captured.

Streamline Refinance Credit Qualifying

- Borrower Eligibility:
  - At least one Borrower from the existing mortgage must remain as a Borrower on the new mortgage.

Negative Equity Positions Program (Short Refi)

Negative Equity Positions Program (Short Refi)

- For case numbers assigned on or before December 31, 2016, the Short Refi program allows the Mortgagee to refinance a non FHA-insured mortgage in which the Borrower is in a negative equity position.

General Eligibility (Short Refi)

- **Program Eligibility**:
  - The existing first lien holder must write off at least 10 percent of the unpaid principal balance.
  - The Borrower must be in a negative equity position and may not have an existing FHA-insured mortgage.
  - The Borrower must be current for the month due or have successfully completed a three month trial payment plan on the existing mortgage to be refinanced.

General Eligibility (Short Refi) (cont.)

- **Program Eligibility (cont.)**:
  - The Mortgagee is not permitted to make Mortgage Payments on behalf of the Borrower or otherwise bring the existing mortgage current to make it eligible for FHA insurance.
  - The refinanced FHA-insured first mortgage must have a Loan-to-Value (LTV) ratio of no more than 97.75 percent and any new or re-subordinated mortgages must not result in a Combined Loan-to-Value (CLTV) ratio greater than 115 percent.
  - There is no maximum CLTV ratio for second liens held by Government Entities or Instrumentalities of Government.

Borrower Certification

- The Borrower must certify on Form HUD-92918, *FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification*, that they have not been convicted within the last 10 years, in connection with a real estate or mortgage transaction, of any of the following:
  - Felony larceny, theft, fraud, or forgery;
  - Money laundering; or
  - Tax evasion from receiving assistance authorized or funded by the Emergency Economic Stabilization Act of 2008 (EESA).

Trial Payment Plan

- A Borrower who is delinquent on their current mortgage must successfully make three on-time payments on a trial payment plan before closing.

- At the time of underwriting the new FHA-insured mortgage, the new total monthly Mortgage Payment amount cannot increase by more than six percent over the trial payment amount on the existing mortgage.

Secondary Financing

- New or re-subordinated secondary financing that permits the Borrower to comply with the eligibility requirements of the program is permitted, subject to the following limitations:
  - The terms of the subordinate lien(s) must not provide for a balloon payment before 10 years, unless the property is sold or refinanced;
  - The terms must permit prepayment by the Borrower, without penalty, after giving 30 Days advance notice;
  - Periodic payments, if any, must be collected monthly; and
  - If payments on subordinate financing are required, they must be included in the qualifying ratios unless payments are deferred until at least 36 months after Disbursement.

Combined Loan-to-Value Limitations

- New or re-subordinated Mortgages must not result in a Combined Loan-to-Value (CLTV) ratio greater than 115 percent.

- There is no maximum CLTV ratio for second liens held by Governmental Entities or Instrumentalities of Government.

Underwriting

- The Borrower must qualify for the new mortgage under the applicable TOTAL Underwriting or Manual Underwriting requirements, except for the credit, debt-to-income, and new mortgage requirements specific to the Negative Equity Positions Program (Short Refi).

Underwriting: Credit Requirements

- The existing mortgage to be refinanced may not have been brought current by the existing first lien holder, except through an acceptable trial payment plan.

Underwriting: Debt-to-Income Ratios

- For mortgages that receive a Refer risk classification from FHA's Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard and/or are manually underwritten, the homeowner's total monthly Mortgage Payment—including the first and any subordinate mortgage(s)—cannot be greater than 31 percent of gross monthly income; and total debt, including all recurring debts, cannot be greater than 50 percent of the gross monthly income.

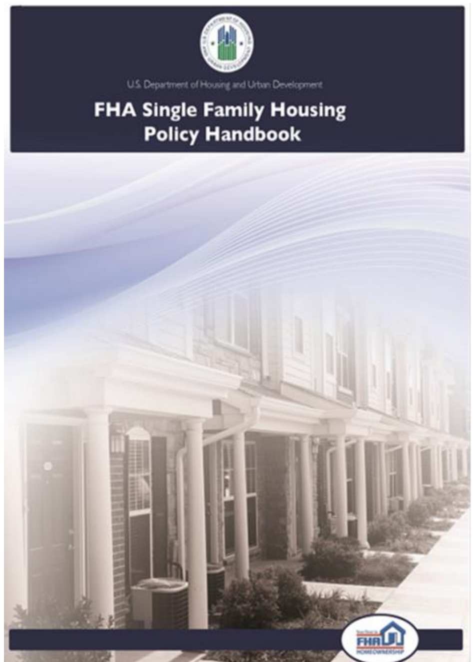
Underwriting: Debt-to-Income Ratios Exception

- The Borrower’s monthly total Mortgage Payment may be up to 35 percent of gross monthly income if their total debt does not exceed 48 percent of the gross monthly income.

Principle Reduction

- The existing first lien holder must write off at least 10 percent of the unpaid principal balance of the mortgage that is being refinanced.

Single Family Housing Policy Handbook 4000.1 Training Webcast Series



Thank you for attending.